



Forty-first Regular Meeting of the Executive Committee

**Creation of the joint unit and pre-investment fund for the
management of production projects under the IICA-CATIE
Master Plan**

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CREATION OF THE JOINT UNIT AND PRE-INVESTMENT FUND FOR THE MANAGEMENT OF PRODUCTION PROJECTS UNDER THE IICA-CATIE MASTER PLAN

June 2021

INTRODUCTION

The Inter-American Board of Agriculture, by way of Resolution No. 507, requested that the directors general of the Inter-American Institute for Cooperation on Agriculture (IICA) and the Tropical Agricultural Research and Higher Education Center (CATIE) develop, in collaboration with the Government of Costa Rica, a strategic proposal for the future of the Center. Furthermore, via Resolution No. 519, the IABA approved a strategic proposal regarding the operational framework of CATIE and established a special committee to study, analyze and make recommendations on two specific issues. The first was the need to identify measures to make the land belonging to IICA and CATIE more productive.

Clause 25 of Law 8028—Comprehensive Reform of the Government of Costa Rica/ IICA Contract on the Creation of CATIE—establishes that both institutions shall collaborate with and support each other to maximize their respective resources. Similarly, Clause 29 establishes that IICA shall provide financial resources to support the core budget of the Center, in an amount not exceeding 5% of IICA's quota budget. The clause also states that IICA and CATIE shall agree to allocate financial and other resources each year to execute programs, projects or joint cooperation actions.

In keeping with the directives of the IABA, on 9 April 2020 the Secretariat of the Special Committee submitted a report to the Executive Committee of IICA, stating that:

- There is a need to facilitate and encourage continuous joint and coordinated action between both institutions.
- It is recommended that a Joint IICA-CATIE unit be created to organize and strengthen the financial and institutional management of the Center and to ensure continued collaborative work between both institutions.
- The financial resources that IICA provides to CATIE each year—which should not exceed 5% of the Institute's quota budget—should be used exclusively to fund the Center's participation in activities that are agreed on and supervised by the Joint Unit.
- The activities to be funded should be in accordance with a work plan agreed on by both institutions and should fall within the framework of the priorities established by the Member States.

- With respect to the measures to make the lands belong to IICA and CATIE more productive, both institutions and the Government of Costa Rica will need to undertake a legal study to determine the alternatives and limitations inherent in the use of these real estate assets.
- Furthermore, the directors general will need to draw up a Master Plan for the strategic use of the real estate and production assets of the land belonging to the Institute and the Center, for presentation to and approval by the Executive Committee. The Plan should have a 5-year horizon and should be reviewed annually by both directors to identify improvements and adjustments in its implementation.

It must be pointed out that the recommendations of the Special Committee indicated that a percentage of the annual resources provided by IICA to CATIE should be used to finance the Center's participation in the activities agreed on and supervised by the Joint Unit.

On the basis of the report of the Special Committee, the Executive Committee issued Resolution 664, "Report of the Special Committee on the Tropical Agriculture Research and Higher Education Center (CATIE)", through which it approved the following:

1. (...) to instruct the Director General of IICA and the Director General of CATIE to make the necessary institutional modifications that would allow for converging the two organizations as requested by the IABA, as well as those that would continuously facilitate and foster their joint, coordinated work without the need to modify the current legal framework.
2. To request that the directors general of the Institute and the Center create a joint IICA/CATIE unit responsible for implementing the recommendations, particularly those relating to the exclusive use of the Institute's annual contribution to the Center for activities that are agreed upon and supervised by the integrated unit.
3. To request that both directors general immediately prepare a "master plan" on the strategic use of the real estate and production assets of property belonging to IICA and CATIE, under the terms recommended by the Special Committee, and to submit the plan for consideration by the Executive Committee at its next regular meeting and, if necessary, to the IABA for subsequent approval at its next regular meeting.
4. To request that the Director General of CATIE consult with the Center's Governing Council at its October 2020 meeting, prior to implementing the provisions contained in the present resolution.
5. To request that the Director General of the Institute report to the Executive Committee on the fulfilment of this resolution at its next regular meeting.

JOINT IICA-CATIE UNIT

The Joint Unit is the entity responsible for designing, planning, organizing and monitoring the joint work between both institutions, by way of two planning instruments:

1. A biannual action plan establishing a series of strategies in relation to the main technical, scientific and academic actions and activities involved in cooperation, projects and knowledge management, as well as corporate matters (administrative, regulatory and financial).
2. Five-year Master Plan, defining a series of strategies to strengthen the use of the real estate and production assets of land owned by IICA and CATIE, as well as the creation of a pre-investment fund to finance projects that contribute to the financial sustainability of the Center.

The Joint IICA-CATIE Unit will be responsible for managing actions to guarantee proper implementation, administration and monitoring of the action plan and the Master Plan. It shall be comprised of three individuals proposed by the Director General of the Institute and three individuals proposed by the Director General of the Center. In its first meeting, the members of the unit will select a Coordinator, by common agreement. This role will be assumed for one-year periods, on a rotating basis.

The Unit may meet on a regular basis or as required, whether virtually or in person. The meeting summons shall be sent at least one week prior to the day of the meeting. For all meetings an aide-mémoire shall be prepared and signed by all members present, specifying the topics covered and the decisions taken.

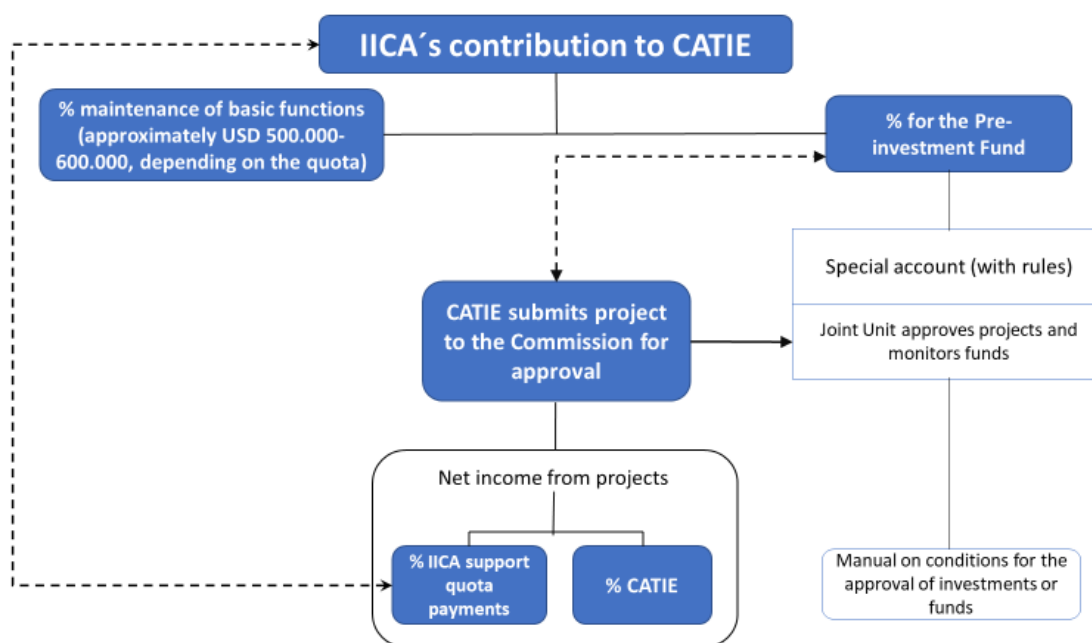
The Joint Unit shall create two working groups, one responsible for the technical-scientific area and the other for corporate matters. IICA and CATIE shall define the make-up of the two working groups, in writing.

Functions of the Joint Unit:

1. Review, monitor and evaluate the implementation of plans, programs, projects and activities in the action plan and Master Plan.
2. Regulate the procedure governing the presentation, evaluation, approval and funding of projects in the Master Plan.
3. Ensure proper project implementation, by evaluating the financial status of the farms and commercial activities, and protect the real estate assets and projects.
4. Issue recommendations on improvements, adjustments, investments, changes or discontinuation of those activities that are inconsistent with the desired principles and objectives.
5. Monitor the Pre-Investment Fund for the management of production projects and authorize the disbursement of its financial resources for those projects that have received a favorable assessment, in accordance with the investment plan presented and the availability of resources from the Fund.

6. Coordinate technical and scientific cooperation activities and foster the implementation of externally funded projects, according to the areas defined in the action plan.
7. Strengthen, promote and facilitate administrative aspects and human talent capacities.
8. Prepare reports every six months or whenever so requested by the directors general, regarding the implementation, strategic actions, joint activities, achievements and progress in implementing the action plan and the Master Plan.
9. Monitor and assess the results of IICA-CATIE collaboration, as well as propose to the directors general measures and mechanisms for continuous improvement.

The following figure illustrates the proposed model governing the Joint Unit's use of resources provided by IICA to CATIE:



The Administration division of the Center shall be responsible for project implementation and for presenting the financial results to the Joint Unit on a regular basis. As regards the cash flow, at the end of the fiscal year, based on the cash flow, the division shall determine the amount of net income generated by the projects, allocating the corresponding amounts – 50% to CATIE and 50% to the Pre-Investment Fund.

For the purpose of managing the funds, CATIE will have a special account that may be audited and assessed, according to established practices.



In the case of projects that are already underway, the Center shall establish a baseline level of income for each production activity, and any net income collected above that baseline shall then be divided among the parties according to the corresponding percentages.

If any problems arise in the projects, if they do not generate the projected income or incur financial losses, the Joint Unit will study the case and issue a recommendation, which shall be binding and mandatory for CATIE and the officers in charge of the projects.

MASTER PLAN

The Master Plan is a strategic planning instrument that seeks to integrate the different interventions regarding the real estate assets of both institutions (land and farms), in a bid to create the ideal conditions for development.

The plan seeks to align the multiple and complex variables to achieve a systemic approach with respect to the IICA and CATIE farms and land and to strategically position them within their urban, economic, political and management context, anticipating problems and ensuring the feasibility of implementing various projects.

The Master Plan will promote the strategic use of the real estate and production assets of the Institute's and the Center's properties, as well as the necessary actions to ensure the best use of the lands administered by CATIE.

Similarly, the plan should propose and analyze alternatives for non-agricultural use of land that is subject to production constraints or whose use may need to change due to urban pressure.

To fund various income-generating production and value adding projects, a IICA-CATIE Pre-Investment Fund will be established, based on feasibility studies and strategic partnerships that will enable the development of business ventures in the area of agriculture, livestock, timber production, ecotourism, renewable energy, commercial activities and services, among others.

IICA-CATIE PRE-INVESTMENT FUND

The purpose of the Pre-Investment Fund will be to:

1. Contribute to the financial sustainability of CATIE.
2. Facilitate funding of projects approved by the Joint Unit that will boost the income of the Center.

3. Guarantee adequate protection and use of real estate assets and projects.
4. Strengthen cooperation between both institutions.
5. Jointly manage production projects.
6. Explore alternatives for the development of non-agricultural projects on land that is subject to production constraints.

The Pre-Investment Fund will be created jointly by IICA and CATIE and both institutions shall establish how it will be administered (management, opening of accounts, financial statements, cash flows, disbursements, income, etc.) within a period of no more than 60 days on approval of the proposal. The Parties shall prepare an audited report each year regarding the use of funds and present it to the governing bodies of both institutions.

The IICA-CATIE Pre-Investment Fund is being created to finance and develop various projects that will increase the productivity of the land and boost the income of the Center, relying on the following resources:

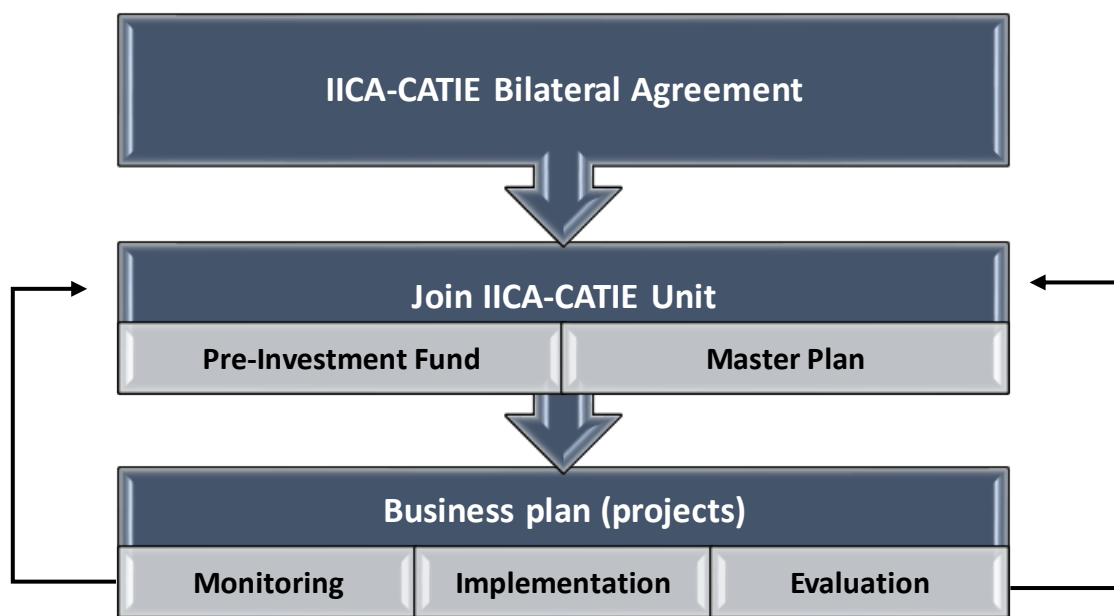
1. A percentage of the quota resources that the Institute provides to CATIE annually.
2. Special or extraordinary contributions from both institutions or from other donors.
3. A 50% share of the utilities obtained from various projects driven by the Pre-Investment Fund.

The IICA quota resources allocated to the Pre-Investment Fund shall be registered in the CATIE accounting records as a regular contribution of the Institute, using the following system:

1. Determine the annual IICA contribution to CATIE.
2. The directors general agree on a operational mechanism to manage the quota resources to be allocated to the Pre-Investment Fund (opening of account, account holder, joint management of the fund, schedule of payments, etc.)
3. The annual contribution to the Pre-Investment Fund shall be agreed on by the directors general, increasing incrementally to as much as 30% of the quota resources from the Institute in the initial four-year period. After that period, the directors general shall assess the possibility of expanding that contribution to a maximum of 50%.
4. Of the net income generated by the projects funded by the IICA-CATIE Pre-Investment Fund, 50% will be reinvested in the same fund; the balance will be part of the Center's resources that can be used to finance its basic operational functions.
5. CATIE shall propose various initiatives to the Join Unit on projects linked to the business strategy of the Master Plan, so that the Unit may assess their feasibility, and approve them, where applicable.

6. The Joint Unit shall approve projects, authorize resources from the Pre-Investment Fund and undertake the relevant monitoring.

The operational proposal to comply with the mandates and resolutions of the IABA and the Executive Committee of the Institute is based on the alignment of the General Bilateral Agreement for Inter-institutional Cooperation between IICA and CATIE, the role of the Joint Unit and the business strategy outlined in the Master Plan, as illustrated in the following Figure.



Once the proposed projects have been implemented, the verifiable and quantifiable costs and expenses incurred will be recovered from the initial income that is generated. Subsequently, the available net income generated by the investment will be determined.

In the case of externally funded projects, the payment of the debt incurred, including the interest generated, shall be recovered and taken into account in calculating the available net income.

If for any reason the Pre-Investment Fund has to be dissolved, the resources will be considered as a quota contribution from IICA to CATIE.